

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 SIL-01 LAB-04 CIAE-00 INR-07

NSAE-00 TRSE-00 FRB-01 OMB-01 PM-04 NSC-05 SP-02

SS-15 L-03 H-02 PA-02 PRS-01 /066 W

-----191740Z 081793 /43

R 190849Z MAY 77

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 6102

INFO AMEMBASSY AMMAN

USINT BAGHDAD

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

AMCONSUL SHIRAZ

USDOC WASHDC

AMEMBASSY JIDDA

UNCLAS ABU DHABI 1494

DEPT PASS DEPT OF LABOR

DHAHRAN PASS SHIRAZ

E.O. 11652: N/A

TAGS: ETDR, EFIN, ELAB, BEXP, TC

SUBJ: NEGATIVE IMPACT OF OVERSEAS TAX RISE CONTINUES

REF: 76 ABU DHABI 3277; ABU DHABI 706; KUWAIT 2512;

DOHA 608; (NOTAL TO ALL OF PRECEEDING)

SUMMARY: PREVIOUS REPORTING (REFTELS) HAS INDICATED
SERIOUS DIMENSION OF PROBLEM. JOB LOSS AMONG AMERICAN
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CITIZENS AND NEGATIVE IMPACT ON COMPETITIVENESS OF FIRMS
EMPLOYING THEM IS MORE APPARENT DAILY. PARTICULARLY
HARMFUL WILL BE ELIMINATION OF US PRIVATE SECTOR EXPERTS
FROM COMPETITIVENESS FOR SHORT TERM GOVERNMENT ADVISORY
JOBS HERE. WE FORESEE OBVIOUS LOSS OF GOOD EXPORT
OPPORTUNITIES UNLESS SOME LEGISLATIVE HELP IS GIVEN
FOR FUTURE YEARS. END SUMMARY.

1. FOR THE LAST SIX MONTHS, WE AND OTHER POST IN THE ARE HAVE BEEN SOUNDING ALARM ABOUT HARMFUL EFFECTS ON U.S. JOBS AND EXPORTS OF RECENT TAX RISE FOR OVERSEAS AMERICAN WORKERS. THE BAD NEWS CONTINUES.

2. ALTHOUGH IT IS NOT MY INTENTION TO REHEARSE ARGUMENTS OR TO LOAD THIS MESSAGE WITH NUMEROUS EXAMPLES, I WOULD LIKE TO POINT OUT SEVERAL INSTANCES OF DELETERIOUS EFFECT OF THIS LEGISLATION IN UAE. ONE CASE IN POINT IS ITS IMPACT ON AMERICANS WORKING OR THINKING OF WORKING FOR NON-AMERICAN ORGANIZATIONS. OBVIOUSLY, AS EMBASSY KUWAIT NOTED, THESE EMPLOYERS ARE LESS LIKELY TO ACCOMMODATE TO EXTRA FINANCIAL BURDEN ON THEIR U.S. WORKERS. AT SAME TIME, HOWEVER, IT MAY WELL BE THAT AMERICANS IN THESE JOBS ARE EVEN MORE VALUABLE - IN TERMS OF DIFFERENTIAL INFLUENCE ON PURCHASES FROM U.S. - THAN U.S. CITIZENS WORKING FOR U.S. EMPLOYERS WHO MIGHT BE PREVIOUSLY INCLINED TO BUY AMERICAN ANYWAY. I AM THINKING PARTICULARLY OF ENGINEERS AND ECONOMISTS WHO ARE AMERICAN CITIZENS OF ARAB ORIGIN WHO HAVE BEEN GREATLY SOUGHT AFTER HERE.

3. WE ARE FACING NOW TWO DIFFERENT INSTANCES OF THIS PROBLEM. IN ONE, AN ARAB-AMERICAN EXPERT IS NUMBER TWO TECHNICAL MAN IN IMPORTANT GOVERNMENT DEPARTMENT. BECAUSE OF THE TAX CHANGE, HE HAS ENTERED JOB MARKET TO FIND MUCH BETTER PAYING JOB OR TO RETURN TO U.S. AT SAME TIME HE REFUSED TO PUT HIS NAME FORWARD FOR NOMINATION FOR TOP SPOT (REPLACING A EUROPEAN) BECAUSE HE SAID THAT JOB COULD NOT PAY ENOUGH TO COMPENSATE HIM FOR ADDITIONAL TAXES. THIS MAN, WITH UNIVERSITY DEGREES AND INDUSTRY EXPERIENCE UNCLASSIFIED

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IN AMERICA, HAS BEEN GOOD FRIEND OF U.S. BUSINESS HERE. IN ONE CASE, HE WAS INSTRUMENTAL IN LIMITING DAMAGE TO OUR REPUTATION HERE WHEN AN AMERICAN COMPANY FAILED TO FULFILL ITS CONTRACT.

4. OTHER CASE IS MUCH MORE POTENTIALLY DAMAGING TO OUR INTERESTS. NEW U.A.E. CABINET OFFICIAL HAS DECIDED TO RECRUIT FOR TWO YEAR TERM FIVE OR SIX EXPERIENCED FOREIGN ENGINEERS/PLANNERS FROM PRIVATE SECTOR TO USE TO SHAPE UP GOVERNMENT'S PLANNING ORGANIZATION, PARTICULARLY PUBLIC WORKS PROGRAM. HE HAS ASKED HIS WASHINGTON CONTACTS TO FIND THESE MEN AND EXPRESSED STRONG PREFERENCE FOR U.S. TRAINED ARAB AMERICANS. (MINISTER HAS NOT RPT NOT ASKED EMBASSY FOR ASSISTANCE NOR RPT NOT INFORMED US OF THIS EFFORT). WE WERE TOLD MAY 18 THAT EFFORT HAS BEEN UNSUCCESSFUL AT SALARY OFFERED (ABOUT \$60,000 PLUS HOUSE) AND THAT UNLESS MINISTER IS WILLING TO RAISE SALARY, QUALIFIED AMERICANS WILL NOT BE AVAILABLE. THIS MINISTER IS PRESENTLY CONSIDERING ALTERNATIVES. I THINK IT WOULD BE SURPERFLUOUS FOR ME TO DWELL ON GREAT IMPACT FOR U.S. EXPORTS AND ENSUING JOBS THAT THESE EXPERTS WOULD HAVE, WERE THEY AMERICAN.

5. OF COURSE, IMPACT ON RESIDENT AMERICANS CONTINUES. WE HAVE RECEIVED CARBONS OF LETTERS FROM LOCAL MANAGERS TO AMERICAN HOME OFFICES REQUESTING REPLACEMENT OF AMERICAN STAFF BECAUSE OF TAX RISE (COPIES POUCHED TO NEA/ARP). DUBAI AMERICAN SCHOOL HAS BEEN HARD HIT. BUDGET PLANNED FOR NEXT YEAR WAS BASED ON 550 STUDENTS, HOWEVER PLANS NOW ARE FOR 455 STUDENTS. SCHOOL TUITION AND TAXABLE "BENEFIT" TO EMPLOYEE-PARENTS WHEN EMPLOYER PAYS) HAS BEEN RAISED FOR FIRST TIME IN THREE YEARS FROM \$3,400 TO \$4,700 PRINCIPALLY TO COVER OVERHEAD COSTS. R NEXT YEAR SCHOOL WILL LOSE SUBSTANTIAL ELEMENT OF ITS AMERICAN CHARACTER IN AN ATTEMPT TO SURVIVE, BECOMING DUBAI INTERNATIONAL SCHOOL. LOCAL COMMITTEES OF CONCERNED AMERICANS CONTINUE TO PRESS CASE TO THEIR CONGRESSMEN AND SENATORS.

6. COMMENT: AMERICANS HERE ARE ALREADY COUNTING ON LEGISLATIVE RELIEF FROM RETROACTIVITY ASPECT OF NEW LAW. HOWEVER, THEY UNCLASSIFIED

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REGARD THIS AS A SOP WHICH DOES NOT ADDRESS FUNDAMENTAL QUESTION: DOES THE U.S. GOVERNMENT WANT TO ENCOURAGE OR TO PENALIZE AMERICAN WORKERS WHO FIND JOBS OVERSEAS AND WHO BUY, AND INFLUENCE THEIR EMPLOYERS TO BUY, AMERICAN PRODUCTS AND SERVICES? IT SEEMS TO ME THAT OUR NATIONAL INTEREST CAN CALL FOR ONLY ONE ANSWER: WE WANT JOBS AND EXPORTS OF THE U.S. I AM SURE THAT FINDING A MEANS TO ARRIVE AT THAT ANSWER IS A PRIORITY EFFORT ALL THOSE CONCERNED.
DICKMAN

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